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C O N F I D E N T I A L SECTION 01 OF 02 USUN NEW YORK 002272

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SUBJECT: SCALE OF ASSESSMENTS: U.S. MODERATES NEGOTIATION
BETWEEN EUROPEAN UNION AND JAPAN

REF: A. USUN 02262

[B.](#) USUN 02244

Classified By: Classified By: Amb. Mark Wallace
Reasons 1.4 (b) and (d).

[11.](#) (C) SUMMARY AND COMMENT: On December 19, per the explicit request of the Japanese and European Union (EU) members (UK, Germany, Finland, France), Ambassador Wallace chaired and facilitated an informal meeting to discuss Fifth Committee issues and the scale of assessments at the Japanese Mission in New York. Although no consensus on the base period was reached, all sides agreed that China should be approached for possible persuasion to make voluntary contributions to the UN to offset any change on scale assessments for Japan and the EU. However, China declined to meet with the group. The EU and Japanese reps fought over the base period, with neither side bending on the issue and the EU sticking to its proposal of a five-year base period. (Note: The U.S., G-77, Mexico and Japan are in agreement on a shorter base period. End Note). Although USUN has been diligently mediating between the largest donors over the past few weeks, a solution to the impasse over scales appears far from over as long as the EU remains wedded to the longer base period. With informal consultations to resume tomorrow, December 20, a sudden change in tactic by the EU appears unlikely. END SUMMARY AND COMMENT.

Background

[12.](#) (SBU) On December 19, Ambassador Wallace met with Japanese Ambassador Deputy Permanent Representative (DPR) Kodera and DPR Special Ambassador Shinyo (commonly referred to by his first name "Takahiro"), and European Union (EU) representatives Ambassador Pierce of the United Kingdom, EU Presidency Ambassador Gronberg of Finland, DPR Michael von Ungern-Sternberg of Germany, and French DPR Jean-Pierre Lacroix. Thomas Thomma of Germany, Wasim Mir of the UK, Takeshi Matsunaga of Japan, and USUN management and reporting officers were also in attendance.

Pre-Meeting with U.S. and Japan

[13.](#) (C) Before meeting with the EU representatives, Ambassador Wallace met with Japanese Permanent Representative Ambassador Kodera and DPR Ambassador Takahiro to discuss Fifth Committee issues and the scale. Kodera called the EU compromise base period proposal of five years "ridiculous." He said EU Presidency Ambassador Gronberg (Finland) was a long-time friend who confided in him that he knew Japan would not go beyond 4.5 years on the base period, and was hoping the EU would come around to Japan's position on the issue.

On stepped gradients for the low per-capita income adjustment (LPCIA), Japan was hoping to lure China into paying more, perhaps up to three percent, but not necessarily five percent as that would allow China to potentially qualify for the G-77's phased scale increase proposal, if that proposal indeed passed.

¶4. (C) Kodera called the UN a "nut house ruled by the G-77 and China," and hoped that with CANZ and EU support Japan and the U.S. might be able to get the G-77 to compromise on the scale. Of course, however, that would depend on having a united front for the rest of the scales negotiations, he said. Wallace noted the fight might have been lost on the stepped gradient for LPCIA, due to infighting by the largest donors, but he reminded Japan that an exit strategy was still needed to mend the divide. Kodera and Takahiro agreed that if the current methodology was kept it should not be assessed again for another three years. Wallace said he hoped, like Russia (ref a), China might also be amenable to increasing its contribution. Matsunaga said Japan approved of the G-77's proposal for phased scale increases. He wondered if the EU would also accept the proposal since several its members stood to benefit from it.

Meeting with U.S., Japan and EU

¶5. (C) Per the explicit request of the Japanese and EU representatives (UK, Germany, Finland, France), Ambassador Wallace chaired and facilitated an informal meeting to discuss Fifth Committee issues and the scale of assessments. During the spirited debate Wallace kept both sides focused on finding solutions to the impasse over scales negotiations set to restart tomorrow, December 20. He reminded the group that

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the past few informal negotiations had not been productive, that infighting between the EU, U.S. and Japan had allowed the G-77 to become stronger. He believed getting the G-77 to adopt stepped gradients for LPCIA was slim, and that if there was no consensus among the largest donors on the base period then no other proposals would be attainable. All sides began by agreeing there were essentially three unresolved issues remaining: the low per-capita income adjustment (LPCIA) gradients; large scale-to-scale increases; and the base period, the latter being the most contentious.

¶6. (C) Takahiro said Japan and the U.S. had common ground on the base period and LPCIA gradients, but asked the EU reps where they stood on these issues. He noted Japan had made compromises, moving on the base period from three to 4.5 years, reiterating that Japan's contribution should not be more than the P-4 members (ref b). Von Ungern-Sternberg (Germany) said a compromise of the status quo base period (4.5 years) was unacceptable as the EU had to protect its interests. Lacroix (France) told the group how important the base period was to EU members' national political interests. If Japan would not bend then there would be "no Western consensus," he said.

¶7. (C) Takahiro, angered, asked why the EU would not compromise on the base period. He told von Ungern-Sternberg that if there was no move by the EU on the base period, the largest donors would most likely get nothing from the G-77, especially on the stepped gradient. Takahiro called the current EU strategy "dangerous." Ambassador Pierce (UK) claimed that a high-level Japanese delegate from Tokyo told her in September the Japan would start from a 4.5-year base period. She said therefore Japan should see the EU at five years. Pierce, believing direct and hard pressure on the G-77 would bend their position, said the G-77 would not have a "dog in this fight" if the largest donors could agree on a five year base period. "Ambassador Kumalo (South Africa) would have to come around," she claimed. She called the EU base period proposal a "good balance," which would offset any increase in the scales for both the EU and Japan.

¶8. (C) Wallace interjected, noting that perhaps the problem was with exchange rates. He said based on his calculations, there was a \$10 million discrepancy that was causing the EU and Japan to quarrel, and asked both sides to consider other solutions. Gronberg replied that the EU looked into the issue, but found there were no real possibilities to make adjustments, other than to move forward with a longer base period. Gronberg continued that the EU stepped gradient proposal, if passed, would have offset this imbalance as well.

¶9. (C) Gronberg believed wedges could be made within the G-77. He suggested that during future scales negotiations new stepped gradients for LPCIA could be introduced, perhaps at 80 and 75, respectively. He believed appealing to the G-77 through the Development Account might help as well. Wallace noted it was unlikely the G-77 would compromise on anything at this point, since attempts by the U.S., Japan and EU to split the G-77 to date had failed. Although Wallace noted that his attempts during informal consultations to make clear how the current LPCIA gradient helped China, Russia, India and Brazil at the expense of the rest of the G-77 members, there was no evidence that the G-77 was breaking down over the issue. Takahiro agreed with Wallace, saying that during his recent discussion with Kumalo, the G-77 would not budge on the current methodology.

¶10. (C) Wallace moved the group back on track, getting the EU and Japan to focus on how to target China to make voluntary contributions as a way to solve the scales impasse. He suggested that getting China in the room with the largest contributors, collectively, might help solve the issue. Mir (UK) agreed, saying the group should move forward on Wallace's proposal. Takahiro was amenable to trying, but believed the negotiation should instead be conducted with high-level officials outside of New York, since China's negotiators would never concede on issues at Headquarters. Wallace said he would invite China to the U.S. Mission to engage with EU and Japanese reps. However, China later declined the offer. The parties agreed to meet further to attempt compromise with the U.S. moderating.

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